

## Message Text

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14

ACTION NEA-10

INFO OCT-01 AF-08 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 OMB-01 SAM-01 EB-07 ACDA-07 TRSE-00 OES-06

INT-05 AGR-05 FEA-01 COME-00 DLOS-04 OPIC-03 ERDA-05

/122 W

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R 141205Z MAY 76

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 8601

INFO AMEMBASSY ALGIERS

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY NOUAKCHOTT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TUNIS

C O N F I D E N T I A L RABAT 2644

E.O. 11652: GDS

TAGS: ECON EINV EMIN EALR ECEM MO

SUBJECT: MOROCCAN PLANS FOR SAHARA DEVELOPMENT: STATUS REPORT

REF: RABAT 2521 (NOTAL)

1. WHILE THERE HAS BEEN FLURRY OF ACTIVITY BY MOROCCAN ECONOMIC MINISTRIES TO DEVELOP PROGRAMS FOR SAHARAN ECONOMIC DEVELOPMENT AND INTEGRATION WITH OTHER PROVINCES, VERY LITTLE SOLID INFO HAS BEEN FORTHCOMING AS RESULT EMBASSY PROBING AMONG MINISTRY OFFICIALS. WE BELIEVE THIS IN PART DUE TO PREOCCUPATION OF TOP OFFICIALS WITH OTHER PRESSING PROBLEMS RELATED TO SEARCH FOR EXTERNAL FINANCE AND MEANS TO CONTAIN DOMESTIC INFLATION; BUT ALSO, POSSIBLY, DUE TO DAWNING  
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REALIZATION, RECENTLY VOICED BY SECSTATE FOR PLANNING, THAT

SAHARA LIKELY TO COST MOROCCO MORE THAN IT YIELDS FOR NEXT TWO OR THREE YEARS. THIS BECAUSE OF HIGH INFRASTRUCTURE NEEDS TO CONVINCE SAHRAOUI (AND WORLD) THAT BEST SOLUTION FOR TERRITORY HAS BEEN FOUND, CONCURRENT REDUCED PRICE FOR PHOSPHATES, AND PROBLEMS IN GETTING BU CRAA BACK INTO FULL PRODUCTION. ADDRESSEES MAY NEVERTHELESS BE INTERESTED IN FOLLOWING PARTIAL INSIGHTS INTO GOM PLANS AND THINKING.

2. AT DINNER FOR DEPARTING U.S. AMBASSADOR, MINISTER OF FINANCE SKETCHED AMBITIOUS CONCEPT OF SERIES OF CANALS TO LINK ATLANTIC WITH THREE INLAND BELOW-SEA-LEVEL DEPRESSIONS. FIRST OF THESE WOULD BE DEVELOPED AS NAVAL/FISHERIES FACILITY; SECOND AS MARINA AND SITE FOR TOURISM; THIRD AS EVAPORATION BED TO RECOVER MINERALS; POWER TO BE GENERATED AT EACH FALL TO SUPPORT REGIONAL LIGHT INDUSTRY. IDEA STRIKES US AS UNREALISTIC--AT LEAST FOR NEAR TERM--AND IS REPORTED ONLY AS INDICATION OF HOW FAR FROM CONCRETE PLANS SOME GOM MINISTRY THINKING IS. WE WOULD NEVERTHELESS JUDGE, ON EXISTING EVIDENCE, THAT FOREIGN PARTICIPATION WILL BE WELCOME IN DEVELOPING COASTAL TOURISM, FISHERIES, AND AGRI-BUSINESS POTENTIAL OF REGION (LATTER WILL REMAIN EXTREMELY LIMITED UNLESS AMBITIOUS WATER DESALINATION PROJECTS, ALREADY BEING SPOKEN OF, MATERIALIZE).

3. RE SEARCH FOR PETROLEUM, USUALLY IN FOREFRONT OF GUARDED COMMENTS BY GOM OFFICIALDOM, LOCAL AMERICAN OIL MEN TELL US THAT SOME 60 DRY WELLS HAVE ALREADY BEEN DRILLED ON SHORE IN REGION, BRINGING IN QUESTION FUTURE POSSIBILITIES. GOM SOURCES TEND TO DISMISS PREVIOUS EFFORTS, HOWEVER, AS "HAVING BEEN ACCOMPLISHED UNDER SPANISH", AS IF OIL WILL BE MORE EASILY FOUND BY SAME COMPANIES FOLLOWING CHANGE OF CONTROL. THERE HAVE BEEN REPORTS THAT GOM HAD SHIFTED RESPONSIBILITY FOR OIL EXPLORATION FROM BRPM TO HIGHLY DYNAMIC DIRECTOR OF MINES, GEOLOGY, AND ENERGY, TAIEB SKALLI. MORE FLEXIBLE APPROACH SUCH CHANGE WOULD PORTEND, IF IT MATERIALIZES, COULD OPEN WAY FOR ON-SHORE EXPLORATION BY OIL MAJOR NOT ONLY IN SAHARA REGION BUT FARTHER NORTH. DURING MAY 13 CALL ON SECGEN IN MINCOMM, HOWEVER, HE DENIED SHIFT HAD OCCURRED, BUT SAID SOME THOUGHT BEING GIVEN TO CREATION INDEPENDENT OIL EXPLORATION AGENCY. WHILE ON-SHORE EXPLORATION BY INTERNATIONAL COMPANIES HAS CONFIDENTIAL

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ALWAYS BEEN THEORETICALLY POSSIBLE, BRPM TERMS HAVE IN PRACTICE BEEN SO TOUGH THAT FOREIGN COMPANIES' ACTIVITIES HAVE BEEN RESTRICTED TO OFF-SHORE EXPLORATION.

4. PHOSPHATE OFFICE OFFICIALS HAVE MEANTIME MADE IT QUITE CLEAR THAT DESPITE EARLIER HINTS TO CONTRARY, NO RPT NO NON-MOROCCAN PHOSPHATE MINING WILL BE POSSIBLE OTHER THAN EXISTING HISPANO-MOROCCAN ARRANGEMENTS FOR BU CRAA. THIS

HIGHLIGHTS AMBIGUITY OF AGREEMENT WITH MAURITANIA TO PERMIT "JOINT-EXPLOITATION" OF SAHARA WEALTH. IMPORTANT POSSIBILITIES FOR U.S. INVOLVEMENT IN PROCESSING AND UP-GRADING PHOSPHATE ROCK INTO FERTILIZERS AND PHOSPHATIC CHEMICALS DO HOWEVER EXIST. THERE MAY BE ATTRACTIVE POTENTIAL FOR RECOVERY OF URANIUM, A PHOSPHATE BY-PRODUCT, FOR U.S. FIRMS IF TECHNOLOGY EXISTS. OUR EARLIER UNDERSTANDING WAS IT DOES NOT--THOUGH GULF DEVELOPMENT CORP. WAS WORKING ON PROCESS. FROM RECENT VISIT OF INTERNATIONAL VICE PRESIDENT OF A.D. LITTLE, WE NOW UNDERSTAND WESTINGHOUSE AND FREEPORT CHEMICALS ALREADY HAVE VIABLE TECHNIQUE. POSSIBILITIES FOR DESIGN AND INSTALLATION OF ATOMIC POWER PLANTS IS SUBSTANTIAL IN THIS POWER-POOR COUNTRY IF ADL REPORT IS CORRECT.

5. IN HARD MINERALS DOMAIN, BELIEVE EXISTING POLICY PERMITTING PRIVATE EXPLOITATION WILL BE EXTENDED TO SOUTH. THIS IS OPPORTUNE MOMENT FOR EXPLORATION BY MAJOR U.S. FIRMS WHILE BALANCE OF PAYMENTS NEEDS AND FAVORABLE ATTITUDE TOWARDS U.S. INVESTMENT CONJOIN AND BEFORE EAST EUROPEANS GET HEAVILY INVOLVED AS THEY ARE IN SMALL MINING VENTURES IN NORTH.  
ANDERSON

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